

~~Top Secret~~

219

TO:	NAME AND ADDRESS	DATE	INITIALS
1			
2			
3			
4			
ACTION		DIRECT REPLY	PREPARE REPLY
APPROVAL		DISPATCH	RECOMMENDATION
COMMENT		FILE	RETURN
CONCURRENCE		INFORMATION	SIGNATURE
REMARKS:			
FROM: NAME, ADDRESS, AND PHONE NO.			DATE

(Security Classification)

H.R.

Access to this document will be restricted to those approved for the following specific activities:

NATIONAL INTELLIGENCE DAILY CABLE

Friday 17 February 1978

CG NIDC 78/040C

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

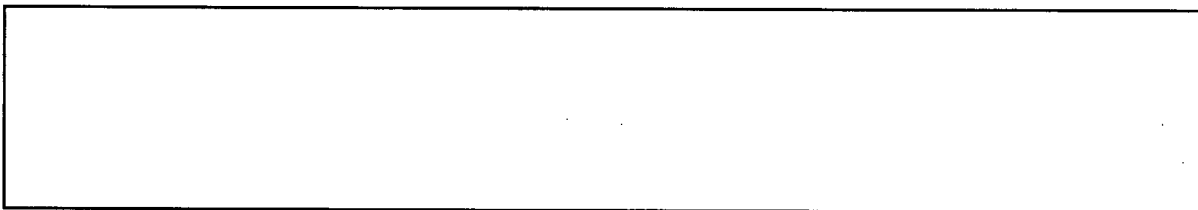
State Dept. review completed

~~Top Secret~~


(Security Classification)


~~TOP SECRET~~


Approved For Release 2007/03/08 : CIA-RDP79T00975A030500010078-7

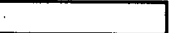


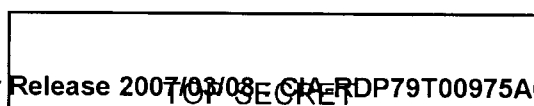
EGYPT: Financial Outlook

 Egypt's financial outlook has improved substantially during the last few months. Late last year, we estimated that Cairo's unfinanced payments gap would be roughly \$1 billion annually through 1979. We now believe that soaring private transfers and favorable oil production prospects could more than halve the gap over the next two years. Moreover, despite President Sadat's peace initiative, the Saudi-sponsored Gulf Organization for the Development of Egypt appears willing to provide substantial import financing.

 In January, officials of the Gulf Organization assured the US firm responsible for disbursing the organization's funds that as much as \$1 billion in cash aid might be available this year to finance a select list of imports. The organization had agreed late in 1977 to make \$550 million in cash payments to Egypt, an abrupt about-face from its earlier intention to reserve remaining assets for project aid. Of the \$2 billion in new assets that member states--Saudi Arabia, Kuwait, Abu Dhabi, and Qatar--will provide this year, only about one-half will be for project aid.

 The organization's softened attitude ironically comes at a time when Sadat's need for Arab assistance is lessening. Last year, unexpectedly large worker remittances from abroad left Egypt with a \$500 million surplus to apply to 1978 bills. This year, voluntary private transfers are expected to total \$1 billion--twice the amount projected six months ago.

 Most of the increase is coming in through the black market that the government tolerates despite opposition from banking circles. Egyptian financial authorities realize a crackdown on black market operations would have to be accompanied by a devaluation of the exchange rate used by the banks for handling private remittances to avoid drying up the source of payments.



Approved For Release 2007/03/08 : CIA-RDP79T00975A030500010078-7

~~TOP SECRET~~

~~TOP SECRET~~

Approved For Release 2007/03/08 : CIA-RDP79T00975A030500010078-7

[] The ambitious \$500 million development bond drive currently under way is also boosting transfer payments. Banks in Egypt were the main subscribers to a similar \$200 million bond drive last year. The new drive, however, involves a stronger promotional effort outside the country, especially among expatriate Egyptians in Saudi Arabia. We expect that they will be important subscribers to this year's drive.

[] The Egyptian petroleum authority is excited about developments in the Southern Desert, an area adjacent to the Libyan border that Soviet technicians haphazardly explored before they were expelled. New seismic studies indicate geological structures similar to those in Libya, which could mean that Egypt has substantial oil reserves inland. The first well will be drilled this year.

[] With these increases in foreign exchange receipts, US approval of the Egyptian aid request for \$800 million would greatly reduce Cairo's need for Arab cash subsidies in 1978 and 1979. If private remittances remain high and the new oilfield in the Gulf of Suez comes into production quickly, the need for Arab cash subsidies could be eliminated. The remaining Arab financial string on Sadat's foreign policy initiatives then would be Saudi financing of Egyptian arms purchases. []

[]

Approved For Release 2007/03/08 : CIA-RDP79T00975A030500010078-7

~~TOP SECRET~~